GOVERNMENT OF INDIA
SHIPPING, ROAD TRANSPORT AND HIGHWAYS
LOK SABHA

UNSTARRED QUESTION NO:2823
ANSWERED ON:17.12.2008
DECLINING FREIGHT IN THE SHIPPING INDUSTRY
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Will the Minister of SHIPPING, ROAD TRANSPORT AND HIGHWAYS be pleased to state:

(a) whether the freight on the international shipping routes has registered a steep decline during the past three months;

(b) if so,the details thereof and the reasons therefor;and

(c) the extent to which this decline has affected the major waterways of the world and the Indian Shipping Trade?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF SHIPPING,ROAD TRANSPORT AND HIGHWAYS (SHRI T.R. BAALU)

(a): Yes,Sir.Ship freight on international waterways has been continuously declining from past three months in the Liner as well as in the Dry bulk Sector.

(b) & (c): The Liner Container Services have been impacted due to the steep cut in freights on international routes.

In general,the decrease is ranging between 50-70% from the Indian sub-continent to Far East sector, Middle East sector and Europe sector. Similarly, freight is also declining on the return legs ranging from 35-50%.

On Far East sector,i.e.,from India to China,Korea,Hong Kong,Singapore and Malaysia, the decline in freight rates is about 50%. From Far Eastern Ports (i.e.China, Korea, Hong Kong, Singapore and Malaysia) to India Sub-continent,the decline in freight rates is about 60%.

From India to Middle East sector (namely UAE,Jebelali,Dammam,Kuwait,Muscat,Bahrain and Abu Dhabi), the decline in freight rate is about 45-50%. And ex-Middle East sector to India, the decline is about 40%.

From India to Europe sector (namely, Germany, Netherlands, United Kingdom, Spain, Italy, Poland, Denmark, France, Turkey, Egypt, St. Petersburg, Ukraine, Portugal, Sweden etc.) the decline in freight rate ranges between 65-70%.

The reduction in freight rate from Europe to India is about 50%.

The freight for breakbulk cargoes especially from Europe to India has registered a reduction over the last three months after September, 2008. This is mainly due to the reduction in the Bunker prices and the Bunker Adjustment Factor (BAF) has now reduced by about 55% over the last three months.

The Baltic Dry Index (BDI) serves as an indicator of the Dry Bulk market and its steep fall reflects the freight situation in the Dry Bulk market. The monthly average of BDI for July, 2008 to November, 2008 is as follows:

Month	July 2008	August 2008	September 2008	October 2008	November 2008
Monthly Average BDI	8934	7407	4975	1808	824
Percentage change from previous month	12.80%	17.09%	32.83%	63.66%	54.42%

The overall fall in BDI from July,2008 to November,2008 works out to a fall of 90.78%.

With reference to Tanker sector the Baltic Dirty Tanker Index as on 1st July, 2008 was 1866 and as on 28th November, 2008 was 1073, a drop of 42.5% during this period.The Baltic Clean Tanker Index figures prevailing for the same dates are 1454 and 880

respectively,a drop of 39.48%.

The chemical market especially Easychems viz.Benzene, Toluene, Xylene too has softened by about 10-15% especially in the East of Suez Markets.

The decrease in freight charges is on account of the following reasons:
(i) The financial crisis which originated in United States of America and has spread to Europe and other countries.
(ii) China,a major engine for growth, has a large stockpile of iron ore and coal.
(iii) The prices of major traded commodities,for example,iron ore, steel,other ores, metals etc. have declined due to lack of demand; primary industries have been affected the most and the slump in demand and high inventory of raw materials of these industries has affected the trade in these commodities.
(iv) Trade has also been hampered by the lack of confidence between Banks from whom the Letters of Credit are routed.
(v) The export of iron ore from India has also declined due to pricing issues and a reduction of demand in China.
(vi) In Tanker trade,the reduction in fuel prices and fall in demand has been a major factor for fall in freight rates.

Ship owners are now receiving returns far below breakeven levels for their vessels. While instances of bankruptcies have occurred of international shipowners,the Indian industry is struggling to cope with the downturn.